



American Committee On Africa

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CITIBANK'S NEW LOAN TO SOUTH AFRICA

In the fall of 1980, Citibank, Barclay's, Union Banque de Suisse and Dresdner Bank coordinated a loan of \$250 million to the South African Government, for black projects in housing, education and health. The new argument used by banks to justify lending to South Africa is that such loans are worthwhile because the projects financed directly benefit the country's black population. Yet Senator Owen Horwood, Minister of Finance, stated very clearly that financing services for blacks was not of primary importance to the South African government when it negotiated this new loan. When the \$250 million loan was sought in September, 1980, Senator Horwood said: "We do have a lot of liquidity. Strictly speaking, we did not have to raise a loan of this kind. Any self-respecting country likes, from time to time, to have its name appear on the world capital markets. This is a test of creditworthiness." (Wall Street Journal, Sept. 26, 1980) He could also have added that the loan was being used to test the political credibility of South Africa. The need to test creditworthiness was carefully linked to the seemingly unobjectionable financing of social service projects, a ploy which South Africa is using to build a positive public relations image internationally. And once again, it is the blacks of South Africa who pay for this "friendly alliance."

In 1980, Citibank circulated a prospectus to encourage other US banks to participate in this new loan. The prospectus listed seven projects that would be funded. A careful look at these projects and the amounts set aside for them demonstrates that each is part and parcel of the apartheid system, and that it is black South Africans who will bear the burden of repaying the loans. For example, wherever money is earmarked for housing, the blacks have to buy or rent the houses, and the income from sales and rentals totals the amount borrowed. South Africa gets the propaganda benefit of claiming to help improve the conditions of blacks, while it is the blacks themselves who repay the loans. In no case does a project financed by this loan seek to breach South Africa's rigid apartheid framework. An analysis of some of the individual projects listed in the prospectus follows.

HOUSING

The prospectus states that, "Improved housing for Black and Coloured communities is identified as a particular component of the Government's plans to increase the standard of living in South Africa." The prospectus does not criticize this presupposition and goes on to say that suitable land must be obtained and an infrastructure developed as well as houses constructed. Specifically, funds will go to Mitchell's Plain and New Cross Roads. What the Citibank prospectus fails to explain is why these new developments are necessary, what conditions brought them into being, and what purpose they serve.

Mitchell's Plain: Mitchell's Plain is a five-year-old development for Coloured people. It is located on sand dunes at the remote end of a windswept area known as the Cape Flats. For generations, the Coloureds of Cape Town inhabited an area known as District Six, where many people owned their own houses. District Six was in the center of Cape Town, near all the facilities the city had to offer. It was too close to the heart of the city for the comfort of the white city fathers, and was proclaimed white under the Group Areas Act in 1966. In spite of a long effort to save the district, it has now become an area for whites only. There is a housing shortage for Coloureds because the South African government has destroyed their traditional home, forcing them to move to a bleak, windswept area 17 km from the city.

This is Mitchell's Plain, where facilities for 250,000 are to be built. The loan will provide R100 million towards this program and people will be able to buy houses for between R9,000 and R16,000 each. The plan provides for a total of 11,500 houses. If they sell at an average of R12,000, the profit from the sale will total R138 million. Thus it is not the South African government, but the Coloured people of Cape Town who will pay back the loan.

Mitchell's Plain is a show piece development. Compared to affluent white standards, it is hardly lower middle class, but compared to existing facilities for other blacks, it is high living. The government is using this and other projects to attempt to sow disunity between blacks, dividing them into Coloureds and Africans. The argument goes that if the Coloureds are comfortable enough, they will not care about what happens to the African majority. It is highly unlikely that this plan will succeed, and it is highly questionable that foreign banks should be willing to finance it. Again, the Coloured community was not consulted in the creation of this housing scheme.

New Crossroads: This community's origins are also deeply rooted in the apartheid system of South Africa. African laborers and their families, unable to make a living in the barren rural reserves of the Transkei and Ciskei came to Cape Town seeking work and created the squatter town of Crossroads, as there was no "legal" housing available. The government decided in 1978 that Crossroads had to be destroyed. When people refused to leave voluntarily, the government knocked down their houses with bulldozers. Still, the community held together, and the government was finally forced to plan a settlement nearby, New Crossroads, which will house some of the squatters.

Citibank describes the 25,000 working people living in the shanty town of Crossroads as laborers and unskilled workers. It fails to mention that many are migratory workers and their families, and that the women and children have come illegally to join husbands and fathers who came earlier and who have been living in "bachelor quarters" without their families. Under South African law such migratory workers and their families have no permanent rights to live in the cities, and they will be constantly subject to the whims of local officials.

2,700 houses are planned for the new community. They will rent for R17 to R45 per month. If one figures an average rent of R30, then the yearly rental income per house is R360, and the yearly rental for the entire project is R872,000. R25 million is designated in the loan prospectus for New Crossroads. If the loan is for 30 years, the income from rents at today's rates would be R26,160,000. Again, the loan will be repaid by the people of New Crossroads.

Further, only 2,700 houses are being built for a community of 25,000. Thus the government is "improving the standard of living" of blacks by forcing them to live in terribly overcrowded conditions, almost ten to a house. Most likely, in fact, wives and children will once again be "endorsed out" to the bantustans, and the banks will have financed one more project which destroys the family life of black South Africans.

EDUCATION

The most important fact about education in South Africa is that schools are rigidly segregated and the government spends \$800 a year for each white child and \$100 for each black child. The government has recently reiterated its absolute commitment to such segregation, rejecting proposals for gradual

progress towards even limited integration. Furthermore, each black child pays to the government a monthly "school fee" that averages fifty cents, for an inferior education based on a special curriculum determined not by blacks but by the apartheid government. Whites earn on average about 20 times more than blacks, but blacks pay proportionally higher taxes. Some of this tax money is supposed to go to black education, but clearly not enough is spent in this way. There are no plans to equalize expenditures on black and white.

The loans for education will simply enable the government to divert black taxes from services for blacks to the armaments industry, SASOL, and other pet projects of apartheid, and any money spent on black schools will continue to perpetuate apartheid education.

Among the education projects to be financed, one is a new schools construction program at Secunda, the township which houses the workers at SASOL. The SASOL plant converts coal into oil, and is of major strategic importance to South Africa. The conversion of coal, which South Africa has in abundance, to oil, which it lacks completely, lessens South Africa's dependence on imported oil, making it less vulnerable to a threatened international oil embargo. Supplying services to Secunda is directly facilitating the apartheid government's drive for self-sufficiency. Loans in that area are hardly as innocent as Citibank implies.

In short, Citibank's own prospectus indicated all too clearly that what the bank portrays as a humanitarian loan assisting in black education, housing, and health is in fact a government-dominated series of projects which help serve the goals of apartheid in South Africa.

This analysis was prepared by Dumisani Kumalo and Gail Morlan as part of testimony given by William Howard, President of the NCC, before the UN Special Committee Against Apartheid, March 24, 1981.